

MUNICIPAL FACILITIES COMMITTEE  
Minutes from the Regular Meeting of July 25, 2024

MEMBERS: Matthew Szabo, Office of the City Administrative Officer, Chair (CAO)  
Sharon Tso, Office of the Chief Legislative Analyst (CLA)  
Kay Ha, Office of the Mayor (Mayor)

The meeting was called to order at 10:04 a.m.

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General Public Comment No public comment.

**Item 2** Report from the Department of General Services (GSD) requesting authority to negotiate and execute a lease amendment with People Assisting the Homeless to operate a bridge housing facility located at 3210 and 3248 Riverside Drive, in Council District 4, subject to Council and Mayor approval.

**Disposition:** Approved on consent.

Matthew Szabo, CAO, requested that Item No. 2 be taken out of order to precede Item No. 1.

Sharon Tso, CLA, asked if the property is being maintained according to the agreement. Wayne Lee, GSD, responded that the Building Maintenance Division visits the site as required per the operator and has the maintenance records for the work requested; however, it is unknown whether there is a scheduled maintenance. Ms. Tso added that her concern is that the properties need to be returned to their previous condition before the term ends. Mr. Lee stated that there are six-month plans by the Bureau of Engineering (BOE) for demobilization, so all the utilities and on-surface materials will be removed.

**Item 1** Minutes of the June 27, 2024 Regular Meeting.

**Disposition:** Approve on consent.

**Item 3** Report from GSD requesting authority to negotiate and execute a lease amendment with HAAS BHCP Property Owners, LLC, for the Los Angeles Police Department (LAPD) South Traffic Division for office space at 4125 Crenshaw Boulevard, Unit 193, in Council District 8, subject to Council and Mayor approval.

**Disposition:** Item continued to the next meeting.

Matthew Szabo, CAO, requested that Items No. 3 and 4 be considered together for discussion.

Wayne Lee, GSD, briefly summarized the report for Item No. 3, which requests authority to execute a lease extension at 4125 Crenshaw Boulevard for the South Traffic Division.

Amy Benson, GSD, provided a summary for Item No. 4 as a new lease for the South Traffic Division currently at the Crenshaw Mall and the need to relocate due to planned redevelopment of the mall. Ms. Benson reported that BOE provided three options analyzing the cost and timeline of adding an office building and a parking structure at the Southeast Police Station, which would cost approximately \$113 million to \$146 million, taking five to five and a half years to complete construction.

Ms. Benson continued her presentation by explaining that 6230 South Gramercy Place fits the needs of the South Traffic Division due to its close proximity to freeways, number of parking spaces, and the lease that includes an option to purchase. Ms. Benson further stated that the landlord has already invested into the proposed agreement by hiring a space planner, which estimated that the station build-out is approximately \$11 million. Ms. Benson reported that the total cost for the first year of the lease will be \$4.7 million, which will be covered by the year-end savings in the Citywide Leasing Account. Ms. Benson added that the tenant improvements are estimated to be completed in 12 to 18 months.

Kay Ha, Mayor, asked if LAPD spoke with GSD about different options laid out in the report. Jeffry Phillips, LAPD, responded that GSD and LAPD have been in continuous communication, and the proposed location fits the LAPD's needs very well as it is near freeways and relatively centralized within the South Bureau.

Sharon Tso, CLA, inquired if GSD will be negotiating for an extension for 4125 Crenshaw Boulevard to cover for the lease at 6230 South Gramercy Place. Mr. Lee clarified that the landlord has agreed to an extension until September 30, 2027, which is sufficient time to complete the new location build-out. Ms. Tso questioned why the report for Item No. 3 does not state that the lease extension is up to September 2027. Mr. Lee stated that the dates in the report for 4125 Crenshaw Boulevard will be confirmed and revised as needed.

Ms. Tso asked for the reason that the 6230 South Gramercy Place report states that building onto the existing Southeast location would take five to five and a half years. Ms. Benson answered that a parking structure will need to be built, which is more time consuming, whereas the Gramercy location is a one-story building that would not need a parking structure built out. Ms. Tso inquired if the longer timeline was due to excavation involved. Mr. Phillips stated that BOE explained that the long timeline for Southeast is due to taking consideration of the blueprints and permits. Albert Griego, CAO, added that the pre-construction, design, and pre-planning had an 18-month timeline, which was estimated conservatively due to a staff shortage.

Ms. Tso asked who would be responsible if there are cost overruns and how certain is the estimated cost. Ms. Benson responded that GSD would come back to MFC if there were cost overruns and ask for additional funding. Brendon Burns, Cushman and Wakefield, stated that there is a 15 percent contingency built into the cost and it is a guaranteed maximum. Ms. Tso requested LAPD to seek additional funds outside of the General Fund that can be used to pay for tenant improvements.

Ms. Tso asked for clarification on the City's option to purchase between years 12 to 15 of the term. Ms. Benson confirmed and clarified that the landlord will give the City an option to purchase at year 12. Ms. Tso further asked if the process will be the same with purchasing the property with two appraisals. Ms. Benson confirmed, but noted that the appraisal will not take into consideration how much the City invested in the improvements.

Ms. Tso asked for clarification on how the amortized and unamortized portion of the tenant improvements will be taken into account if the property were sold. Ms. Benson explained that the lease includes the base rent and the tenant improvements, so the unamortized portion after the tenth year would need to be paid by the City if the City exercises the first right to purchase. Ms. Tso requested that the lease language reflect the City's amortized portion for the building when the landlord sells to a third party.

Ms. Tso also inquired if the lease contains a language that states that the City can stay as a lessee if the landlord sells the property to someone else and if the City does not purchase the property. Ms. Benson confirmed that there is a contract in place protecting the City to stay within the time negotiated.

Mr. Szabo asked if the \$55 million 15-year cost in the fiscal impact includes the escalation and it is an all-in cost. Ms. Benson confirmed that the cost includes lease and improvements. Mr. Szabo requested GSD to calculate a contemporary appraisal to see the value of the property if the City were to consider purchasing.

Ms. Tso inquired as to why the additional tenant improvement rent is amortized with the landlord at an eight percent interest rate. Ms. Benson stated that the eight percent reflects the cost of the landlord front funding the tenant improvements for the City. Ms. Tso inquired if the City has an option to do the tenant improvement on its own. Ms. Benson responded that the City can have that option if there is funding available.

Mr. Szabo asked for clarification that the landlord is paying for the tenant improvements. Ms. Benson clarified that the City is paying \$2 million out of \$11 million for tenant improvements, while the landlord is paying for the remaining amount. Ms. Tso inquired whether the \$2 million is paid in the current Fiscal Year and why the City needs to pay first. Ms. Benson confirmed and stated that the first \$2 million will be contributed to the initial cost. Ms. Benson added that the information technology systems and furniture, fixtures, and equipment will cost \$3.9 million, however, the first year cost is \$2.7 million and the following year is estimated to cost \$1.2 million. Ms. Tso asked whether the \$2.7 million is paid to the landlord or if the City will fund this on its own. Ms. Benson stated that \$2 million of the non-amortized tenant improvements in the fiscal impact chart will be paid to the landlord for improvements.

Mr. Szabo asked for clarification that out of the \$11 million tenant improvements, the City is paying \$2 million initially to the landlord, while the landlord will pay \$9 million. Ms. Benson confirmed. Mr. Szabo asked for confirmation that the City will pay back \$13 million to the landlord for the tenant improvements worth \$9 million. Mr. Lee explained that the \$9 million will be amortized at an eight percent interest. Mr. Griego clarified that the CAO was inquiring the final amount to be paid to the landlord for the \$9 million, including interest. Mr. Szabo stated that eight percent is a much higher rate to borrow money if the landlord front funds the tenant improvements. Mr. Lee explained that the rate may be lower if the City pays for the improvements, however, the City performing the improvements may be more costly.

Mr. Szabo requested that Items 3 and 4 be continued until the next meeting, as there are financing questions that need to be answered.

**Item 4** Report from GSD requesting authority to negotiate and execute a lease agreement with Gage/St. Andrews Properties, LLC, for LAPD South Traffic Division for office and industrial space at 6230 South Gramercy Place, in Council District 8, subject to Council and Mayor approval.

**Disposition:** Item continued to the next meeting.

**Item 6** Verbal report from CAO relative to use of office work stations by City departments at 444 South Flower Street (Industrious).

**Disposition:** Item continued to the next meeting.

Matthew Szabo, CAO, requested that Item No. 6 be taken out of order to precede Item No. 5.

Delilah Puche, CAO, reported that the Office of CAO conducted an analysis of space usage at Industrious as instructed by the MFC on May 30, 2024. Ms. Puche explained that the five departments that relocated from Garland, in February 2024, occupy the Industrious space and that each employee has a card with a unique identifier. Ms. Puche raised the question of whether to continue a one-to-one desk ratio as instructed by the Mayor's Office. Ms. Puche specified that the Los Angeles Housing Department (LAHD) staff shares the desks to maximize space usage while other departments are on a one-to-one desk ratio for a limited number of employees entering the building. Yolanda Chavez, CAO, explained that there is a limitation to the data presented as it is an elevator swipe, not a swipe into the building. Amy Benson, GSD, clarified that the data is limited due to multiple employees from the same department entering the elevator at the same time, as only one employee would need to swipe.

Sharon Tso, CLA, asked whether the employees could have carpooled. Ms. Puche replied that it is a possibility that if employees carpooling always had the same person swiping, then the other people might not have been recorded. Ms. Tso inquired whether the data contains duplicate swipes by an individual on the same day. Ms. Puche stated that the duplicates were eliminated. Ms. Puche added that Mondays and Fridays were eliminated as most employees take a regular day off on those days, which would bring down the average space usage further.

Ms. Tso asked about whether the parking passes have been considered as part of the analysis. Ms. Puche responded that the CAO will include the parking passes in their analysis; however, parking analysis cannot show employees carpooling or sharing a stall. Ms. Puche stressed that GSD and CAO strongly believe that the data will not surpass 50 percent usage by looking at different types of data.

Mr. Szabo inquired whether there is a capacity to monitor the login information at the workstations. Ms. Benson stated that the question regarding login information will be directed to the Information Technology Agency (ITA). Ms. Tso suggested using the pay system to track reporting to the workstation. Ms. Puche responded that it will be dependent on the user input as each employee inputs his or her own time as either remote or in-office. Ms. Puche advised that vacant positions may also impact the number of vacant desks allotted. Ms. Puche emphasized that this is a general funded lease and the parking is three times as much as the rent of the office space, so there needs to be a revisit to the idea of offering one-to-one desk ratio.

Kay Ha, Mayor, suggested that Office of Finance's (OOF's) office usage will be impacted seasonally. Matt Hale, Mayor, expressed that Mayor's Office would not like to spend money on unused desks, but OOF has expressed concerns that the swiping method is not an effective method to determine the office usage. Ms. Puche stated that OOF was the only department expressing concerns on the data presented. Ms. Puche further stated that the OOF's reason for expressing concern was that the Mayor's Office instructed a one-to-one desk ratio.

Ms. Tso asked for confirmation that there was additional office space approved for LAHD and OOF with Nordstrom. Ms. Benson replied that the deal did not follow through.

Ms. Tso inquired why LAHD only has 31 desks allotted. Ms. Benson stated that this was a temporary space while the space at the Gas Company Tower was being built out, however, since the Gas Company Tower deal did not move forward, the LAHD staff stayed at Industrious. Ms. Benson reported that GSD is currently looking for 80 additional temporary spaces for LAHD.

Ms. Tso inquired whether the over 500 desks requested for Industrious was to meet the one-to-one desk ratio. Ms. Puche confirmed. Ms. Tso inquired if there is an opportunity to reduce the space at Industrious. Ms. Benson stated that the contract is expiring January 2025 and it would need to be extended, which would be the appropriate time to reduce the space at Industrious.

Ms. Tso stated that the data was presented clearly and there is no question regarding the data presented. Mr. Szabo requested an analysis on additional data using the workplace login information from ITA.

**Item 5**      **Continued from June 27, 2024:** Report from BOE on the Phase I status and Phase II scope of work for the Citywide Yards and Shops Master Plan Study.

**Disposition:** Approved.

Steven Fierce, BOE, provided an overview of the Yards and Shops Master Plan status report with a Phase I savings of approximately \$1.3 million, a request for approval of Phase II the estimate of \$3.1 million, and Phase II project end date of April 2027. Mr. Fierce reported that there is a total available funding of \$3.4 million from unspent Phase I project funds.

Kay Ha, Mayor, thanked BOE for putting together the report and asked why the Valley is not included in Phase I. Mr. Fierce stated that the team adjusted the project area based on priorities and the Valley was moved to Phase II. Ms. Ha inquired the reason for Phase II costing more than Phase I. Mr. Fierce replied that Phase I had project savings due to more work done by the City staff than outside consultants, so the cost of Phase II might also decrease as the needs become more apparent.

Ms. Ha asked whether the Phase II completion can be expedited to December or January since April is past the budget season. Mr. Fierce stated that it may be possible to expedite to meet the earlier timeline.

Sharon Tso, CLA, asked what steps follow after the space has been studied for Phase I. Mr. Fierce responded that BOE will submit the information and will work on short-term projects focused on code compliance. Ms. Tso inquired if there is any operational impact for the Phase I areas. Mr. Fierce stated that the report on the 51 yards studied did not have any concerns that affected operations.

**Item 7            ADJOURN TO CLOSED SESSION:**

- a. **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**, pursuant to Government Code Section 54956.8.

**Property Location:** Real property located at:

1. 555 West Fifth Street, Los Angeles, CA (APN: 5149-029-013)

**Property Owner:** Gregg Williams, as Receiver for Maguire Properties - 555 W. Fifth, LLC

2. 202 West First Street, Los Angeles, CA (APN: 5149-001-006)  
145th Spring Street, Los Angeles, CA (APN: 5149-001-003)

**Property Owner:** Onni Times Square LP

3. 777 South Figueroa Street, Los Angeles, CA (APN: 5144-009-047)

**Property Owner:** Maguire Properties - 777 Tower, LLC

4. 865 South Figueroa Street, Los Angeles, CA (APN: 5144-022-057)  
**Property Owner:** Hancock S REIT LA Corp USA
5. 333 South Hope Street, Los Angeles, CA (APN: 5151-014-031)  
**Property Owner:** 333 South Hope Co., LLC
6. 355 South Grand Avenue, Los Angeles, CA (APN: 5151-015-013)  
**Property Owner:** Maguire Properties - 355 S. Grand, LLC
7. 110 East Ninth Street, Los Angeles, CA (APN: 5139-001-024)  
**Property Owner:** Calmart Sub I, LLC
8. 333 South Grand Avenue, Los Angeles, CA (APN: 5151-015-012)  
**Property Owner:** North Tower, LLC
9. 300 South Grand Avenue, Los Angeles, CA (APN: 5149-010-026)  
**Property Owner:** CNI One Cal Plaza Owner, LLC
10. 707 Wilshire Boulevard, Los Angeles, CA (APN: 5144-005-400)  
**Property Owner:** Carolwood 707 I, LLC/Carolwood 707 II, LLC
11. 611 West Sixth Street, Los Angeles, CA (APN: 5151-026-400)  
**Property Owner:** 611 West Sixth Street Associates
12. 350 South Grand Avenue, Los Angeles, CA (APN: 5149-010-265)  
**Property Owner:** 350 South Grand Avenue (LA) Owner, LLC
13. 444 South Flower Street, Los Angeles, CA (APN: 5151-018-017)  
**Property Owner:** CVFI-444 S FLOWER LP
14. 601 South Figueroa Street, Los Angeles, CA (APN: 5144-007-044)  
**Property Owner:** 601 Figueroa Co., LLC
15. 633 West Fifth Street, Los Angeles, CA (APN: 5151-017-025)  
**Property Owner:** USBT Property Owner LP
16. 700 South Flower Street, Los Angeles, CA (APN: 5144-010-401)  
**Property Owner:** NREA TRC 700, LLC
17. 800 Wilshire Boulevard, Los Angeles, CA (APN: 5144-008-010)  
**Property Owner:** Onni 800 Wilshire LP
18. 915 Wilshire Boulevard, Los Angeles, CA (APN: 5144-007-040)  
**Property Owner:** Deka Immobilien Investment GmbH



19. 448 South Hill Street, Los Angeles, CA (APN: 5149-026-004)  
**Property Owner:** JMF Pershing Square, LLC

**Agency negotiator/presenters:**

Amy Benson, Director, Real Estate Services Division, General Services Department; Melody McCormick, Assistant General Manager, General Services Department; Zachary Millett, Assistant Director, Real Estate Services Division; Art Kusol, Senior Management Analyst, General Services Department; Onno Zwaneveld, Executive Vice President, CBRE, Inc.; Michael Syrengelas, Managing Director, CBRE, Inc.

**Negotiating Parties:** City of Los Angeles, Department of General Services; Gregg Williams as Receiver for Maguire Properties - 555 West Fifth, LLC; Onni Times Square LP; Maguire Properties - 777 Tower, LLC; Hancock S REIT LA Corp USA; 333 South Hope Co., LLC; Maguire Properties - 355 S. Grand, LLC; Calmart Sub I, LLC; North Tower, LLC; CNI One Cal Plaza Owner, LLC; Carolwood 707 I, LLC/Carolwood 707 II, LLC; 611 West Sixth Street Associates; 350 South Grand Avenue (LA) Owner, LLC; CVFI-444 S FLOWER LP; 601 Figueroa Co., LLC; USBT Property Owner LP; NREA TRC 700, LLC; Onni 800 Wilshire LP; Deka Immobilien Investment GmbH; JMF Pershing Square, LLC

**Under Negotiation:** Price and terms of payment of sublease and lease agreement

- b. **CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION, pursuant to Government Code Section §54956.9 (d)(1):** City of Los Angeles v. HRRP Garland, LLC

**RECONVENE OPEN SESSION AND REPORT ACTION TAKEN IN CLOSED SESSION**

*Meeting reconvened to Public Session at 12:05 a.m.*

**CLOSED SESSION ANNOUNCEMENTS**

No Closed Session announcements.

- Item 8** Adjournment – Next Meeting: Regular Meeting on Thursday, August 29, 2024.

*The meeting adjourned at 12:06 a.m.*